AOL-Time Warner is an overdue wake-up call

Canadian executives are still sluggish in planning for the new Internet economy

Jim Carroll, author of a book on understanding the Internet, says the medium has not only changed the old way of doing business, it has demolished it.

PERSONAL VIEW

JIM CARROLL

Corporate Canada has long needed a wake-up call about the Internet. It got one Monday. The **America Online-Time Warner** announcement was the equivalent of being slammed in the side of the head with an ocean liner.

Forget the gnashing of teeth about corporate concentration and all the hyperbole around the takeover. There is one undeniable fact: This deal will help ensure that thousands of Canadian executives realize that they can no longer afford to ignore the capacity of the Internet to cause dramatic and sweeping change in their industries.

A Hollywood script writer couldn't have penned it better. Ten years ago, the Internet was a haven for computer geeks, and the largest deal of the eighties was the $25-billion (U.S.) RJR Nabisco takeover. Many companies were still trying to implement their internal financial, inventory and management information systems.

Today, we're in the midst of a $160-billion deal, the ringleader is a company that barely existed then, and the foundation has been laid for the economy of the future.

Everyone seems to be in a state of shock at this turn of events — and that's a good thing. Even as executives in the past tried to understand this beast called the Internet, they still seemed to be dismissing it. There is time, they convinced themselves, to carefully plot an E-biz strategy. No need to rush, let the upstarts take the risk. A slow and careful Canadian approach makes sense, they convinced themselves.

And then — wham! AOL-Time Warner tells every executive that nothing is the same and anything is possible in this new wired economy. Maybe they will finally realize that the Internet provides massive opportunities and threats at the same time. It doesn't just change old ways of doing business — it demolishes them.

The Internet's emergence upsets every business tenet we know, whether it be strategic planning (remember when we could plan six months in advance?), or product pricing (welcome to buyer-driven pricing, in which the customer controls the price).

Yet there are still senior executives who refuse to enter the Internet with both guns blazing. Granted — many mainstream companies have been busy studying it, learning about it, and playing with it, but have they made the concepts of Internet E-business fundamental to everything they do? Have they thought about how their company needs to change through the next five years to deal with the inevitable changes in their industry?

This merger shows that we do live in dangerous times. We are dealing with stock valuations and concepts that barely make sense anymore. We have a form of funny money — overvalued AOL and other Internet stocks — that bear no relation to reality.

New business concepts make no sense, as people subscribe to the notion that the magic of doing business on-line is to give stuff away at a loss and make it up in volume. An income statement with a big loss seems better than a positive bottom line. And some people might actually believe that (**www.heyidiot.com**) is a real company, and will try to find out how they can invest.

With the world enamored of the Internet in the wake of the merger, the myth is taking hold that it's easy to get rich off it. Too many people are coming to believe that the Internet is a magic pot of gold, a fascinating thing to be found at the end of the rainbow. Suddenly, too many startups with lousy business ideas are chasing too many people eager to throw their cash at them.

What about the implications of the deal? There is concern that AOL-Time Warner may be too big, that we may be seeing the emergence of a conglomerate that will control what we say, what we see, and what we do.

Rubbish. Those who subscribe to such beliefs ignore the underlying reality of the on-line world: Power on the Internet will never belong to any one company or organization. No matter how big AOL-Time Warner will be in the world of the Internet, it will still have to compete with the hundreds of millions of people and organizations that will churn out their own content well into the future.

To suggest that AOL-Time Warner controls the future is to believe that Gutenberg controlled a monopoly.

◆ ◆ ◆

Jim Carroll, a Report on Business columnist, is co-author of Light Bulbs to Yottabits: How to Profit by Understanding the Internet of the Future.